Public Affairs Council

Written Testimony of

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Chairman Duncan, Ranking Member Barber and members of the Subcommittee, my name is Doug Pinkham and I am president of the Public Affairs Council in Washington, D.C. I am pleased and honored to have the opportunity to participate in this hearing to discuss "best practices" in communications and public affairs at leading companies and what DHS can learn from the private sector.

The Public Affairs Council is an international organization for corporate and association public affairs professionals. Launched in 1954, the Council works to advance the field of public affairs and to provide members with the executive education and expertise they need to succeed while maintaining the highest ethical standards. The organization has more than 640 member companies and associations, representing 7,000 people working in the public affairs field. The Council is both non-partisan and non-political.

"Public affairs" is a term that means different things to different people. In the federal government, it refers to the function that manages communication with the news media and other important stakeholders. In many large corporations, it means the function that is responsible for government relations. The Council embraces a broader definition. We believe that public affairs represents an organization's efforts to monitor and manage its business environment. It combines communications, government relations, issues management and corporate citizenship strategies to improve public policy, build a strong reputation and find common ground with stakeholders.

MANAGING IN A DIFFICULT ENVIRONMENT

For large companies — and large institutions of all types — the last 20 years have brought a world of opportunities and threats. On the one hand, information technology and globalization have given firms unprecedented access to new markets, new customers and new ideas that enable them to grow larger and more profitable. Certain popular "brands" now have greater value than most companies. According to *Forbes* magazine, Apple's brand is now worth $87.1 billion, which is more than 50 percent higher than its level two years ago.

On the other hand, brands are also more fragile than they've ever been before. Rightly or wrongly, groups and individuals with a complaint or a political cause have the tools to attack corporate brands directly, by leveraging the influence of major customers, by launching shareholder campaigns or by "hijacking" a brand to promote an issue.

A second challenge facing large institutions is the heightened expectation for transparency. As recently as the 1990s, well before social media and Big Data, the public didn't demand as much openness from corporations or government. As technology enabled the collection and dissemination of useful data, the burden shifted onto large institutions to defend why information shouldn't be shared. In a democracy, this is a positive development. But it does present both resource and management issues for organizations trying to determine whether information is non-proprietary, unclassified, accurate, accessible and distributable.

Seismic changes in the media landscape have created major communications challenges for every organization. These challenges include:

- Decline of many mainstream media companies, which often had the most knowledgeable and experienced journalists;
- The creation of thousands of new, Internet-based media outlets, with various levels of accuracy and accountability;
- The end of the news cycle, which used to give communications professionals time to respond more thoughtfully to negative or controversial news;
- The dawn of the age of "truthiness," when unchecked information sounds like it might be true and is spread throughout the world before large institutions have the opportunity correct the record.

High levels of public distrust also hamper the ability of both companies and government to operate effectively. Each year the Council publishes the Public Affairs Pulse survey, a major poll that measures public attitudes toward business and government. In the 2012 survey, two-thirds of Americans (67%) said they have a favorable view of major companies, while only four in 10 Americans (41%) said they have a favorable view of the federal government.

Yet, while overall attitudes toward business have become more positive in recent years, many Americans don't have much trust and confidence in major companies to "do the right thing." For example, the survey found 55 percent of Americans have a lot of trust or some trust in corporations, while 44 percent do not trust major companies. There are substantial variations in trust by industry sector.

Meanwhile, the public has doubts about whether the federal government can effectively handle the challenges that face the nation. Only 41 percent said they have "some" or "a lot" of trust and confidence that the government can solve the nation's most important problems. A majority (58%) said they have "not too much" or no trust at all that the government can solve these problems.

REDEFINING THE COMMUNICATIONS AND PUBLIC AFFAIRS FUNCTIONS

Faced with this environment, communications and public affairs professionals have had to adopt new ways to disseminate information, build rapport with stakeholders, earn the trust of the public and manage their overall reputations. They have had to learn to be more open, engaged, collaborative and pro-active.

The Arthur W. Page Society, a professional association for senior public relations and corporate communications executives, has developed a new model that explains how a company should define and protect its corporate character, and inspire groups and individuals to become champions.

According to the Page Society, a chief communications officer (CCO) must be:

- An integrator – working across the C-suite to make the company "think like" and "perform like" its corporate character.
- A systems designer – not only systems of marketing and communications, but of how these relate to the company's operations and management systems.

- **A master of data analytics** – to understand customers, employees, investors, citizens and other stakeholders as individuals rather than publics, audiences and segments of populations.
- **A publisher and developer** – the same tools of information production that are in the hands of the masses are also available to the CCO, who can directly inform, empower and equip targeted individuals.
- **A student of behavioral science** – to inform the shaping of belief, action, behavior and advocacy.
- **A curator of corporate character** – to ensure that the company's communications and its people remain true to their core identity.

Needless to say, this model is a far cry from the role of the communications executive of 30 years ago, when many large companies focused their efforts on protecting their image and garnering favorable publicity. These days, firms put at least as much effort into "being good" as they do into "looking good."

"BEST PRACTICES" OF LEADING COMPANIES

Based on the Public Affairs Council's research, benchmarking and executive education experience, we have found that companies with successful communications and public affairs functions demonstrate certain common characteristics. The following is a list of 10 such characteristics, along with a discussion of why each one is important. This list can be adapted for use in evaluating communications and public affairs operations in government agencies.

1. Senior Management Support and Involvement

   In a *Wall Street Journal* article, penned less than a year before he died in 2005, management guru Peter Drucker argued that the CEO's first task is to define the outside world. Included in this category are society, the economy, technology, markets, customers, the media and public opinion. The CEO's second task is to figure out what information from the outside is meaningful and how to process it effectively. Based on his or her best judgments, the CEO decides business priorities and how to focus resources.

   In the eight years since Drucker wrote that article, business has experienced a blending of the inside and the outside. What goes on within a company increasingly affects outcomes, and costs associated with a firm's external environment are getting harder to manage.

   That's why it is essential that senior management personnel are engaged in all major aspects of communications and public affairs.

2. Well-Developed Issues Management Process

   Smart companies have internal systems for identifying communications and public affairs issues, setting priorities, carrying out plans and measuring results. These systems tend to have an open architecture that encourages input, ownership and evaluation by others in the enterprise.

   While many models are used, one model we particularly like has the following eight steps:

   - Interview senior management to determine the reputation and public policy threats/opportunities the company faces;
   - Survey key employees, customers, suppliers, community leaders and other stakeholders to produce a list of current and emerging issues;
   - Analyze the issues to determine what is currently known about their current and future impact on the organization (impact can take the form of direct or indirect costs);
   - Score issues for importance (based on impact) and affectability (based on one's ability to affect the outcome);

- Sort out high and low scores and decide where to focus resources — issues with high scores for both importance and affectability should be at the top of one's priority list;
- Narrow the list down to major priorities (with capacity reserved to handle crises);
- Define objectives, create strategies and develop cross-functional tactics;
- Set up a measurement and reporting system.

This type of issues plan offers numerous benefits: It keeps staff focused on issues that really matter, eliminates redundant activities, makes it easier to identify common goals, and engages top executives in the prioritization process.

Some companies have formal issues management systems, while others have informal processes for setting priorities and coordinating activities. What's important is that management makes it clear that the company owns the issues and that everyone involved is responsible for supporting key business objectives.

3. Strong Collaboration between All External Teams

Many large organizations, in both the private and public sectors, don't do a good job of integrating the roles and responsibilities of personnel involved in communications and public affairs. In fact, a 2011 study by the Foundation for Public Affairs showed that only 41 percent of 115 surveyed companies had a management structure with fully integrated communications and public affairs functions.

Natural synergies exist among those who manage relationships with government, the media, local communities, employees and other stakeholders. It can be inefficient — and even dangerous — to build "silos" that separate people and programs with similar goals.

In recent years, the arguments for joining forces — or at least coordinating forces — have become stronger than ever. First and foremost, public perception and public policy are closely related. News travels fast, and bad news travels faster. Companies that take an unpopular stand on an issue may find themselves subject to protests and boycotts. Firms that are frequently criticized in the media have a difficult time advocating a legislative agenda. If the smallest business unit in a large multinational makes an unethical business decision, the entire enterprise suffers.

Leading companies, nonprofits and government agencies understand the synergies that can be gained by collaborating across divisions and lines of business.

4. Integrated Crisis Communication Planning

Similarly, when a leading company faces a crisis, it puts in motion a plan to communicate to all major stakeholders in ways that resonate with those groups. Years ago, crisis plans focused primarily on the news media. Now many firms use a wide variety of tools (print, broadcast, social media) to communicate with a wide variety of stakeholders (employees, news media, customers, suppliers, investors, policy-makers, local communities, unions). As smart phones and social media become ubiquitous, this communication is increasingly two-way.

Global corporations are also considering new approaches to crisis communication in light of the fact that different types of spokespeople have different levels of credibility. The 2013 Edelman Trust Barometer, a comprehensive survey of global trust, ranks the credibility of spokespeople in this way:

- Academic or expert — 69%
- Technical expert in the company — 67%
- A person like yourself — 61%

- Financial or industry analyst — 51%
- NGO representative — 51%
- Regular employee — 50%
- CEO — 43%
- Government official or regulator — 36%

When a crisis is at the acute stage, the public expects the CEO to play a prominent role. In fact, in the 2012 Public Affairs Pulse survey, 59 percent of respondents said that making top executives available to answer questions about what happened would do "a lot" to make them feel the company is doing the right thing. However, in day-to-day communication or in outreach to local communities, rank-and-file employees, technical experts or community leaders are often more effective.

5. Understanding of Risk Communication

    "Any given risk has a set of identifiable characteristics that help predict what emotional responses that risk will trigger," wrote David Ropeik and George Gray of the Harvard Center for Risk Analysis in their 2002 book, *Risk.* Communications professionals working for chemical and nuclear energy companies, along with public health officials, have developed a sophisticated knowledge of these patterns. That's because they have to deal with questions of risk and safety on a daily basis.

    But, increasingly, companies working in a wide array of industries are applying risk communication principles to their public outreach efforts. While an outraged community or group of upset customers may not be facing an actual crisis, they experience many of the same emotions of people in a crisis situation.

    According to Ropeik and Gray, major risk perception factors include: man-made risk versus natural risk; imposed risk versus chosen risk; no-benefit risk versus risk with trade-offs; gruesome risk versus regular risk; distrustful risk versus trustworthy risk; risk with uncertainty versus risk with certainty; and risks to children versus risks to adults.

    Companies that understand the psychology of risk perception are often better able to connect with stakeholders, respond to community concerns and have credibility when they are facing a crisis.

6. Strategic Use of Communications Technologies

    Most major corporations have integrated social media, video and other technologies into their communications operations. They use them to dialogue with customers, give a voice to brand champions, involve employees in outreach, promote products, create communities of interest, counter negative publicity and advocate for public policy, among other applications.

    Smart companies have a clear understanding of the benefits and limitations of these technologies. While social media can be an effective tool for building rapport with stakeholders, a company can't embark on a social media strategy with the idea that it will control the conversation. As with all forms of communication, social media programs should be launched because they represent the highest strategic use of corporate resources, not because everyone else seems to have a social media program.

7. Innovative Approaches to Media Relations

    Corporate communications involves creating a dialogue about a company's business, the principles behind its brand and what benefits it offers to customers and society. Yet, because of all the changes taking place in the news media, it has become increasingly difficult for companies to tell their story in ways that will reach significant numbers of people. As noted in the summary of the

Arthur W. Page Society's new model, communications executives are increasingly becoming publishers on behalf of their firms. They are bypassing traditional media by distributing useful and credible information through a variety of channels, both online and offline.

8. Transparent and Ongoing Communications

In the June 2009 edition of *Harvard Business Review*, James O'Toole and Warren Bennis wrote that American business needed "a culture of candor." "Because no organization can be honest with the public if it's not honest with itself," they said, "We define transparency broadly, as the degree to which information flows freely within an organization, among managers and employees, and outward to stakeholders."

Being transparent about all aspects of company operations is easier said than done, however. Some information is proprietary or confidential for competitive reasons; other information can't be released for legal reasons. Yet many successful companies have learned to stretch themselves so that they can be more responsive to public demands for openness. While business-to-business firms may not see as much immediate benefit to this approach, consumer-based companies are increasingly incorporating transparency practices into their communications.

The challenge is committing to a level of transparency that is sustainable and desirable for the enterprise. Firms that promise to be open and then change their minds are worse off than those that never claim to be transparent in the first place.

9. Focus on Employee Communications

In a transparent world, leading companies have come to realize that their own employees are often their most important audience. Much of this is due to the rising influence of word-of-mouth communication. If employees are making authentic, positive statements online about where they work, their messages will likely resonate with friends and colleagues. On the other hand, if employees are making negative comments, their messages could have an extremely damaging impact.

Several major studies have been conducted on best practices in employee communication. In a comprehensive study conducted in 2005 by Gay, Mahoney and Graves, four key drivers accounted for 72 percent of variance in aligning employees with business strategy: (1) employee understanding of how they can help achieve company goals, (2) employee commitment to business strategy, (3) the use of technologies to enhance understanding of strategy and (4) building trust between leaders/managers and employees.

10. Robust Performance Measurement System

Communications and public affairs success can be measured in many ways, but some methods are more reliable than others. Systems that focus on counting — the number of media articles published, speeches given, website hits received or tweets made — measure activity rather than impact. The most effective evaluation programs define clear communications goals and then measure progress toward those goals.

For companies associated with major brands, surveys and focus groups may be helpful in determining how a company is regarded by important stakeholders — especially in relation to competitors. Some firms analyze customer-generated and other data to determine whether communications activities have had a direct impact on sales, recruitment/retention, the tone of media coverage or overall reputation.

INSIGHTS AND OBSERVATIONS

While I am not an expert on the Department of Homeland Security's communications policies and practices, I do have some general insights and observations that can be considered along with the above best practices:

- In developing communications strategies in both the private and public sectors, there's a natural tension between promoting the identity and services of the parent organization and those of each individual subsidiary. There's also a tension associated with promoting one "brand" over another. In tackling the challenge of communicating its mission, DHS takes a hybrid approach, which seems appropriate. Consumer-facing components such as TSA and FEMA, for instance, will naturally draw attention from the public and the news media. Consequently, the mix of communications strategies used — and the resources required to fund those strategies — will vary substantially among the different branches of the agency.

- High levels of public distrust make the job of government communications especially difficult. As noted earlier, government officials or regulators don't score well as spokespeople compared to technical experts, NGO representatives, business leaders or even average citizens. DHS leadership should continue to collaborate with academics, non-profit organizations, the private sector and others to ensure that a wide variety of "voices" are being heard when communicating key messages.

- Having the facts on one's side isn't enough. In both the private and public sectors, leaders often try to persuade skeptics by offering quantifiable proof of the correctness of their policies and the quality of their performance. This approach underestimates the power and influence of misinformation campaigns and urban legends. Because DHS deals with major national security and civil liberty issues, it has to be diligent about setting the record straight when the public is misinformed. Yet it must do so with compelling stories to supplement its facts.

- Measuring communications performance has become especially difficult because the world has become so noisy. Even major corporate brands feel fortunate when a modest percentage of the public is aware of a new product's features. For government agencies facing tight budgets, it is especially hard to build widespread awareness of programs, services or other essential information. Therefore, it's important that expectations be set at levels that are achievable and that the proper metrics are being utilized.

Thank you again for this opportunity to appear before you today to address best practices in communications and public affairs, and what DHS can learn from the private sector. I am happy to answer any questions you may have.